

Message Text

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ACTION TRSE-00

INFO OCT-01 AF-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08

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C O N F I D E N T I A L MONROVIA 2855

E.O. 11652: GDS

TAGS: OPIC, XMB, EFIN, LI

SUBJECT: NATIONAL BANK OF LIBERIA TEMPORARILY SUSPENDS TRANSFER
OF FUNDS FOR COMMERCIAL BANKS

1. SUMMARY - NATIONA BANK OF LIBERIA (NBL) HAS TEMPORARILY
SUSPENDED OUTWARD TRANSFERS OF FUNDS DEPOSITED BY COMMERCIAL
BANKS BECAUSE OF A LACK OF SUFFICIENT FOREIGN RESERVES. GOL
APPEARS TO BE IN A FISCAL BIND, BEING DELINQUENT ON THREE GERMAN
LOANS AND A JANAPESE EXPORT-IMPORT BANK LOAN. IT APPEARS THAT
NBL WILL BE FORCED TO RATION TRANSFERS OF FUNDS AMONG THE COMMERCIAL
BANKS FOR THE TIME BEING. ONE OF THE CARDINAL TENETS OF THE
"OPEN DOOR POLICY", THE FREE AND UNRESTRICTED TRANSFER OF FUNDS,
HAS BEEN BREACHED WITH POTENTIALLY DAMAGING CONSEQUENCES.
END SUMMARY

2. CHASE MANHATTAN WAS THE FIRST BANK TO BE TURNED DOWN ON
MARCH 27 FOR REQUEST TO TRANSFER \$5 MILLION TO ITS HEAD OFFICE.
SUBSEQUENTLY DURING WEEK OF APRIL 3 CHASE WAS ABLE TO TRANSFER
\$4 MILLION ON DEPOSIT WITH NBL. LAST WEEK NBL REFUSED TRANSFERS
TOTALING ABOUT \$3 MILLION BY FOUR BANKS.

3. WHEN CHASE MANHATTAN BANK MANAGER REMARKED LAST WEEK TO
FINANCE MINISTER PHILLIPS THAT NBL'S ACTIONS SMACKED OF EXCHANGE
CONTROLS, LATTER ANSWERED THAT SUCH CONTROLS MAY BE NECESSARY AT
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TIMES. NBL'S GOVERNOR GREENE STATED THAT NBL WAS LEGALLY UNDER
NO OBLIGATION TO MAKE AUTOMATIC TRANSFERS. SINCE FINANCE MI ISTER
PHILLIPS HAD AGREED TO MEET WITH BANKERS ASSOCIATION THIS
WEEK, IN HIS ABSENCE ACTING FINANCE MINISTER SIRLEAF AND NBL
GOVERNOR GREENE MET WITH BANKERS ASSOCIATION ON APRIL 17.
ASSOCIATION WAS ANXIOUS TO OBTAIN CLARIFICATION OF PRESENT
SITUATION AND OF NBL POLICY IN HANDLHNG FUTURE TRANSFER REQUESTS.

GREENE MERELY SAID THAT ASSOCIATION WOULD BE HEARING FROM NBL. MEETING LASTED ONLY FIVE MINUTES. BANKERS WERE FURIOUS AND FELT HUMILIATED. BANKERS MAY TRY TO SEE HIGHER AUTHORITIES IF GOVERNOR GREENE FAILS TO SATISFY THEM.

4. LATER CITIBANK MANAGER BEAMES MET WITH GREENE, WHO COMPLAINED ABOUT LARGE OUTWARD TRANSFERS IN LAST TWO WEEKS. HE MAINTAINED THAT NBL'S FOREIGN ASSETS HAD DECLINED FROM \$28 MILLION TO \$9 MILLION. CHASE MANAGER HAD HEARD THAT PRESIDENT TOLBERT HAS BEEN TOLD THAT ACTIONS BY COMMERCIAL BANKS ARE RESPONSIBLE FOR TEMPORARY NON-LIQUIDITY OF NBL.

5. BANKERS ARE WONDERING WHY UNDER THESE CIRCUMSTANCES GOL HAS FAILED TO DRAW DOWN ITS BALANCES WITH COMMERCIAL BANKS AND TO BORROW FROM CASH-RICH GOVERNMENT-OWNED LIBERIA PRODUCE MARKETING CORPORATION.

6. COMMENT: NBL'S ACTIONS APPEAR DIRECTLY RELATED TO THE FISCAL BIND THAT TERMPRARILY AT LEAST CONFRONTS THE GOVERNMENT. EMBASSY HAS BEEN RELIABLY INFORMED THAT GOL IS DELINQUENT ON THREE GERMAN OAN PAYMENTS DUE DEC. 31 AND ON A JAPANESE EXPORT-IMPORT BANK LOAN TO PROVIDENCE SHIPPING COMPANY. AT THIS JUNCTURE IT SEEMS GOL HAS NO ALTERNATIVEBUT TO INSTRUCT NBL TO APPROVE TRANSFERS ON A CASE-BY-CASE BASIS. UNFORTUNATELY, ONE OF THE CARDINAL TENETS OF THE "OPEN DOOR POLICY", THE FREE AND UN-RESTRICTED TRANSFER OF FUNDS, HAS BEEN REACHED WITH
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POTENTIALLY DAMAGING CONSEQUENCES.
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